

vantage to capture the entire U.S. market. Imports, thus, are for the domestic pin industry not merely a competitive nuisance, but are a constantly dangling sword of Damocles, which, in the absence of adequate tariff protection, can fall at any time to sever the domestic industry from its market.

Therein lies the problem.—If the foreign takeover of the American safety pin and straight pin market continues—unless this Committee and the Congress devises more adequate remedies to excessive import competition such a continuation is a certainty—the American producers will in the not very distant future obviously find themselves out of this business—and the workers engaged in producing these articles will find themselves confronted with the unhappy alternatives of retraining, relocation, or relief.

Background in brief

Safety pins are manufactured by five firms in the United States; straight pins are produced by seven firms. While safety pins and straight pins constitute separate industries, in four instances both products are produced by the same firms. Safety pins and straight pins are manufactured by high-speed, virtually automatic metal forming machinery. Labor cost was found by the Tariff Commission in 1957 to constitute approximately 40 percent of the average unit cost of domestic safety pin and straight pin production, which relative factor has probably since declined under the spur of cheap import competition.

Both industries are concentrated in Connecticut with one substantial manufacturing facility in Tennessee, which industry concentration has naturally the effect of concentrating the impact of adverse economic experience suffered by domestic producers from import competition.

Safety pins and straight pins have a considerable tariff history which it is appropriate to review briefly here. On both articles, duty in the reference year of 1934 was 35 percent ad valorem. In the course of several duty concessions, and particularly the initial GATT concessions of 1948, the duty rate was reduced to 22½ percent on safety pins and to 20 percent on straight pins.

In consequence of these reductions, both industries were suffering serious adverse consequences from increasing imports by the mid-1950's and applied to the Tariff Commission in 1956 for escape clause relief. After lengthy and intensive investigation, the Tariff Commission recommended that the duty be restored to the pre-concession rate of 35 percent on both safety pins and straight pins. Striking balance on a Solomon's judgment, the President granted the recommended relief in the case of safety pins, but denied any relief to straight pins.

Safety pins benefited from the limited protection of the 35 percent rate for eight years. On January 28, 1966, however, by Proclamation No. 3703 the President restored the preferential trade agreement rate, which had the effect of reducing the duty from 35 to 22½ percent.

The relative economics of the manufacture and marketing of safety pins and straight pins is such that price is ultimately the principal determinant of sales.

Very little difference in quality exists between pins of domestic manufacture and pins imported from Great Britain and West Germany, and users are for the most part unable to discern differences at all. After all, a safety pin is a fairly simple article and a straight pin is an utterly simple article. While there are in the short run other marketing factors such as historical relationships, brand names, promotions, etc., ultimately it is price which determines sales, and even a 2 or 3 percent drop below established price differential levels is sufficient to shift business.

Demand and hence consumption of both safety pins and straight pins in the United States is fairly static. The industry has in recent years made a determined effort to promote the increased use of pins in industrial applications, with some limited success. The home consumption market is considered impossible to stimulate to further consumption.

The inevitable consequence is that, when foreign producers offer sufficient quantities at even slightly lower prices on the American market, there is a direct and immediate loss of business by domestic producers.

Both the safety pin and straight pin industries live thus at the mercy of the foreign producers, spared so far from extinction only by the preoccupation of foreign pin manufacturers with home and third country markets.

In the case of safety pins, an apparent equilibrium between domestic production and imports was created in their relative shares in total safety pin consumption in the United States at the 35 percent duty level. That relationship during the period from 1958 through 1965 was characterized by the Tariff Commission in the following terms: